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Room at the Top

In the 1980s President Reagan suggested, rather absurdly, that a Sandinista-ruled Nicaragua posed a serious security threat to the mighty United States. Equally absurdly, unions and their surrogates in Congress now would like us all to believe that six small, poor Central American and Caribbean countries threaten our way of life — this time not because they embrace socialism but because they want to enter into a free-trade agreement.

Fear is an effective lobbyist in Washington. And fear is what drives Republicans from sugar- and textile-producing states to oppose the Central American Free Trade Agreement, which like its cousin NAFTA would end most tariffs and import restrictions on trade between the six nations and the United States. What undermines free trade's political prospects is that although its benefits are evenly spread across all of society, it adversely affects a narrow set of interests. Left without the full support from his party, President Bush has to persuade about 20 Democrats to vote for the deal.

Democrats, naturally, are in no mood to hand the president a victory. And fear runs high — even among normally free-trading Democrats — of crossing Big Labor. Unions and their congressional allies claim the pact inadequately protects labor rights in the signatory countries and leaves workers in the U.S. exposed to unfair competition.

According to an analysis of Central American labor laws by the International Labor Organization (hardly a branch of the Republican Party), the constitutions and laws of those nations meet ILO labor standards covering collective bargaining, forced labor, child labor and workplace discrimination. CAFTA contains the same enforcement provisions included in trade agreements with Jordan and Morocco that allow third parties to hold countries to their obligations. Last year, Congress extended the Africa Growth and Opportunity Act, granting unilateral trade preferences to a number of sub-Saharan countries with weaker labor standards than are contained in CAFTA. Moreover, union opposition to the recently enacted trade deal with Australia, hardly a land of peasants, shows the shortsighted protectionism of unions doesn't stem from a concern for underpaid foreign workers.

Another argument used against the deal is that cheap labor costs and lax enforcement of the law in CAFTA countries — whose combined GDP rivals that of Connecticut — would attract investment from U.S. companies seeking to cut costs, leading the region to a "race to the bottom." But most U.S. manufacturing being outsourced these days heads to China, notwithstanding the lack of a free-trade agreement with that nation. And more than a race to the bottom, trade liberalization creates a "race to the top" because nations opened to trade tend to grow faster and achieve higher incomes.